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Trends and Factors of Development of the Financial System Elements of the Modern Russian Economy

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ABSTRACT

The subject of the research is the segments of the financial system of the Russian Federation: the budget system, the banking sector, the stock and insurance markets, and the currency policy of the state. **The purpose** of the study is to determine the trends and factors in the development of the main elements of the financial system at the present stage. **The relevance** of scientific research is due to the fact that the financial system is a key element of the strategy of socio-economic development of any state, providing economic processes with financial resources and capital. The author uses the following **methods**: analysis, synthesis, generalization, and the logical method. The study highlights promising directions, ways and mechanisms for the development of the Russian financial system that are relevant in the 2020s. The key factors influencing their trends and threats that create barriers are analyzed. The main directions, ways and mechanisms for stimulating the further development of the elements of the financial system are described. The author **concludes** that due to the spread of the coronavirus pandemic and economic sanctions imposed on Russia, the stability of the Russian financial system has been violated, which requires the adoption of state regulation mechanisms to improve the activities of financial institutions. The prospect of further research on this topic may be related to the development of areas for improving individual elements of the Russian financial system.

Keywords: financial system; financial markets; banking system; financial capital; financial resources; finance; financial system management; stocks and bonds market; financial institutions; budgetary system; monetary policy; insurance market

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INTRODUCTION

The financial system of modern Russia is the main element in ensuring national economic security and the functioning of the state [1].

Considering the trends and factors in the development of the elements of the financial system of the modern Russian economy, it is necessary to analyze information that reveals the state of the budget and banking systems, the stock and insurance market, and the monetary policy of the state.

Today, the financial system is one of the key elements of the socio-economic development of Russia. At the same time, within the framework of sustainable development, important issues are:

- financial regulation;
- distribution of state financial resources.

Yu. S. Lankina and L. O. Serdyukova, as part of their research, consider a comparative description of the financial systems of different countries, analyzing indicators that characterize the state and structure of the financial systems of Russia, France, the USA, and Japan [2].

V. V. Balyan analyzes the critical threats to the Russian financial system, reveals their content and main characteristics, and substantiates the need to optimize state policy to ensure the country's financial security [3].

E. S. Ibragimova and M. U. Khadzhimuratov in their study reveal the essence of the financial system, and its structure, consider the budgetary system as a link in the Russian financial system, and also reveal the problems of the Russian financial system and ways to solve them [4].

L. A. Mylnikova explored the main problems of the development of the financial system of Russia, determined its structure, and proposed measures to address them and increase the economic growth of Russia [5].

However, despite the large base of scientific literature and sources on the Russian financial system problems, the factors and mechanisms that have a direct impact on the trends and prospects for the development of individual elements of the financial system, such as the budgetary system, stock market, banking and

insurance industries, monetary policy remain unexplored.

The relevance of this scientific research is due to the following factors:

firstly, the financial system is a key element of the strategy of socio-economic development of any state, providing economic processes with financial resources and capital;

secondly, the financial system of modern Russia is still in the process of formation, however, in the context of the COVID-19 pandemic and economic sanctions, it has faced a number of urgent problems that create barriers to further development.

For this reason, the purpose of this scientific paper is to analyze the factors influencing the trends and prospects for the development of the main elements of the Russian financial system at the present stage.

The methodological basis of the study consists of general scientific methods for understanding economic phenomena, which make it possible to consider the development of elements of the Russian financial system, to explore the most pressing problems and barriers.

The theoretical basis of the scientific article was the results of fundamental and applied research in economic theory, state and municipal government, budget regulation, banking regulation and finance.

TRENDS AND FACTORS IN THE DEVELOPMENT OF THE BUDGET SYSTEM OF MODERN RUSSIA

In the current conditions of socio-economic instability, an important element of the economic policy and development strategy of the Russian financial system is the formation of an effective budgetary system. In the Russian Federation there are three levels of budget: federal, regional and municipal.

The budgetary system of Russia is based on economic relations and the state structure, regulated by the legislation of Russia, the aggregate of the federal budget, regional budgets, local budgets and budgets of state extra-budgetary [6, 7].

The main features of the formation of revenues and expenditures of the state budget of Russia are due to the influence of the oil and gas sector, the policy of socio-economic alignment of the regions and the general vector of development of the state. The characteristic features of the budget policy of Russia are the impact of current problems and barriers, the elimination of which is the main condition for the further development of the budgetary system of the Russian Federation.

The stability of the budgetary system is the basis of the socio-economic development of Russia. Due to the negative impact of external and internal economic factors, public authorities are faced with the need to make quick decisions in order to achieve fiscal sustainability. The state implements budget policy, and adopts legal acts regulating budgetary issues. The solution to budgetary problems occurs at all levels of government: federal, regional and municipal.

In our opinion, the main factors affecting the deficit/surplus of the state budget of the Russian Federation in a dynamic aspect are:

1. The price environment of the world oil and natural gas market, since oil and gas revenues play an important role in shaping the stability of the budgetary system of Russia.

2. The economic situation in the world and the Russian economy, since the macroeconomic indicators of the markets reflect the general state of the financial system, which includes budget policy.

Instability in the economic and financial activities of the state is reflected in the budget deficit. The reasons for the budget deficit can be different. Incomes reflect the state of the economy; thus, an inefficient economy necessarily creates difficulties in balancing the budget. In addition, the deficit may also arise as a result of miscalculations in the management of the national economy, and subsequently deliberate overstatement of expenditures and a reduction in the tax burden.

The reasons for the budget deficit also include [8]:

- economic crisis;

- inability of the state to manage the financial situation;

- high level of corruption schemes and crimes in the sphere of public administration;

- growth of social programs not provided with state revenues;

- inefficient tax policy, leading to a high share of the shadow economy;

- fiscal federalism.

One of the negative factors of the budget deficit in Russia is the misuse of budget funds. It is also important to note that the current stage of development of the budgetary system of the Russian Federation is associated with the negative impact of the COVID-19 pandemic and economic sanctions. The receipt of revenues to the state budget of the country was significantly disrupted due to the fall in production and consumption, which led to a decrease in revenues to the tax system of the country.

With respect to the structure of budget expenditures changed dramatically, since the areas of medicine, social policy and the national economy required much larger financial injections than planned. As a result, a budget deficit is formed, the elimination of which has become one of the main tasks facing the state.

Let us consider the situation until the 2020s. In 2000–2008, the Russian economy functioned exclusively under favorable economic conditions — oil prices rose from about 17.1 to 94.4 US dollars per barrel, i.e. 5.5 times. The country had a budget surplus. By 2009, in the context of the global financial crisis, revenues to the country's tax system began to decline, and, as a result, a state budget deficit arose.

Fig. 1 shows that in recent years, from 2015 to 2017 there was a budget deficit. This was caused by the collision of the Russian economy with the negative impact of factors in the context of a collapse in prices on the world oil and natural gas market and the regime of economic and political sanctions of Western countries, where the main trading and investment partners of Russian transnational companies and banks are concentrated.

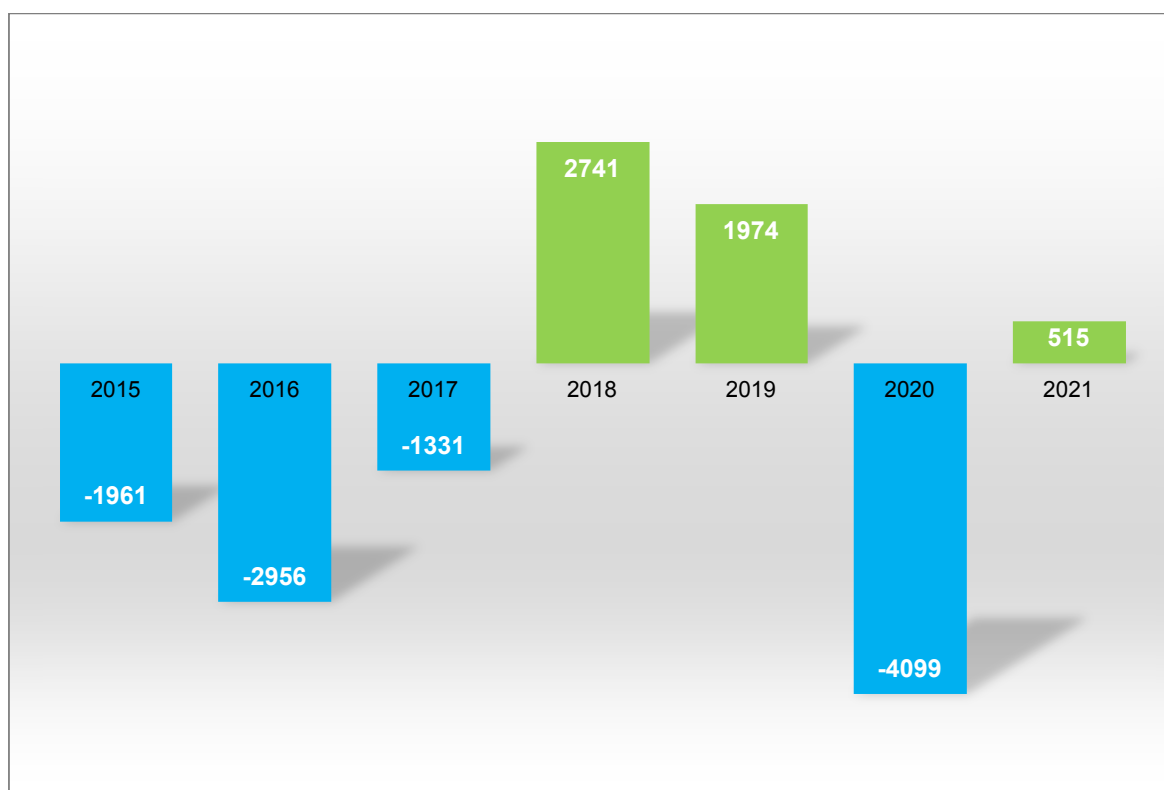


Fig. 1. Dynamics of the surplus/deficit of the state budget of the Russian Federation in 2015–2021, billion rubles

Source: compiled by the author based on data from the Ministry of Finance of the Russian Federation. URL: <https://www.minfin.ru/ru/statistics/fedbud/> (accessed on 30.04.2022).

In 2018–2019, the dynamics of the state budget deficit changed in favor of a surplus, which can be explained by the following reasons:

- adaptation of the Russian economic system to the sanctions regime;
- withdrawal of exports of Russian companies from the West to the East;
- price growth recovery in the oil and natural gas market.

At the end of 2020, the state budget, due to the crisis of the COVID-19 pandemic, ended up with a record deficit of –4.099 billion rubles. And in 2021, a surplus of 514.76 billion rubles was recorded, thanks to rising oil prices and the rapid recovery of the Russian economy. Nevertheless, the problem of the budget deficit for Russia is still relevant.

The task of the Russian government is to form a mechanism for self-reproduction of the budget deficit. It is necessary to create conditions in which income is higher than expenses.

Fig. 2 shows the detailed structure of the revenues of the state budget of the Russian Federation in 2021.

Oil and gas revenues accounted for 36% of all revenues in 2021. These are mainly taxes on value added (5,479.53 billion rubles), import value added (3,732.99 billion rubles), and personal income (1,552.43 billion rubles). Each of these taxes plays an important role in shaping the revenue of the Russian budget.

The reason for the increased attention to the structure of state budget revenues in 2021 is that it is precisely such deductions as VAT, import VAT and personal income tax that may show their decline due to the impact of the coronavirus pandemic and sanctions against Russia. In the last 2020–2021, a pattern was observed: the decline in business activity in the national economy of the state led to a decrease in the volume of tax payments received from economic entities.

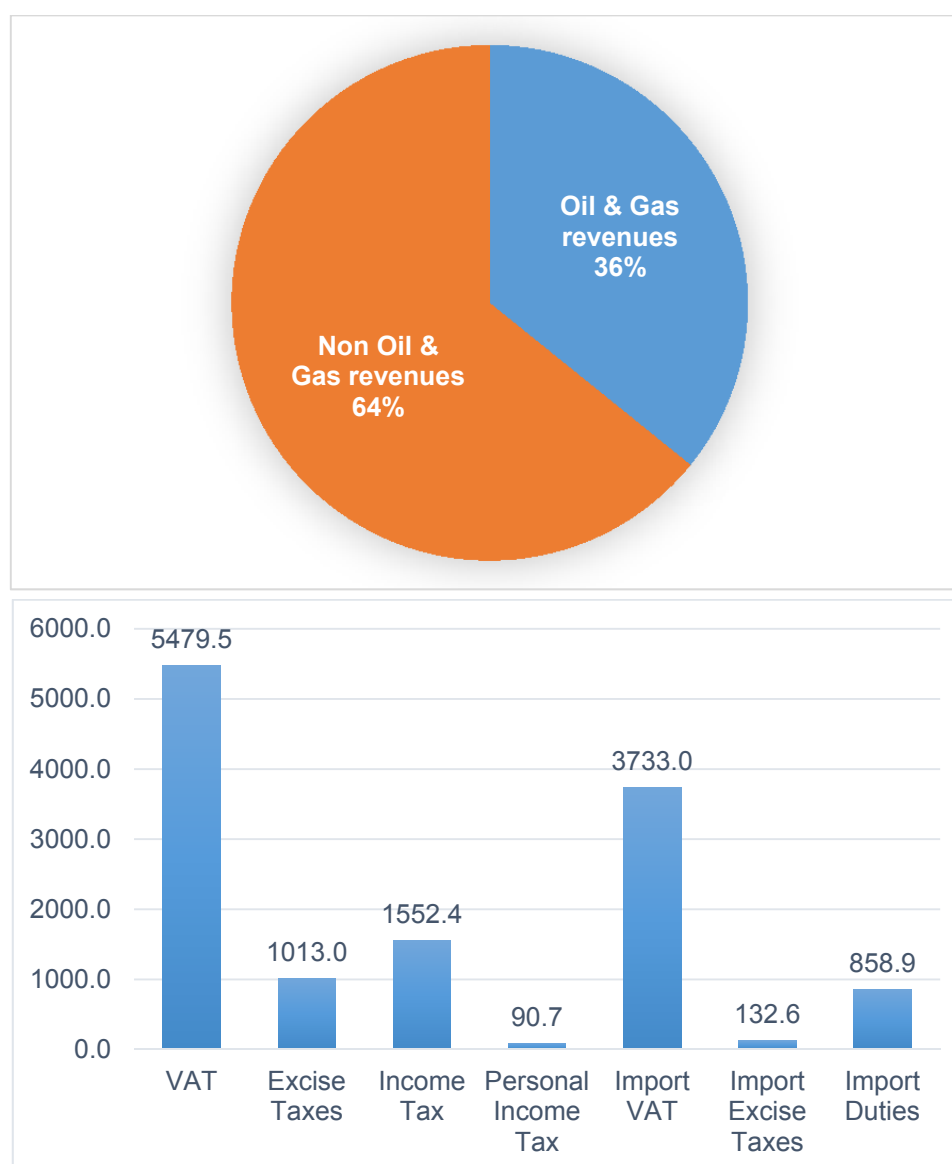


Fig. 2. Structure of revenues of the state budget of the Russian Federation in 2021, in %, billion rubles

Source: compiled by the author based on data from the Ministry of Finance of the Russian Federation. URL: <https://www.minfin.ru/ru/statistics/fedbud/> (accessed on 30.04.2022).

Based on this, an important task of budget regulation of the national economy of the Russian Federation is to improve the state budget, aimed at reducing the size of the deficit and creating a budget surplus.

The main tools for improving the budget policy can be [9]:

- optimization of expenditure items of the budget, where there is the greatest shortage of funds and growth in funding;
- creation of free economic zones and programs to stimulate investments in fixed assets to support economic entities whose

activities increase tax revenues to the budget;

- active use of domestic municipal debt market instruments to cover the budget deficit;
- application of tools of public-private, regional-private and municipal-private partnerships in the implementation of strategic infrastructure facilities to optimize budget expenditures.

Fig. 3 shows the most optimal and efficient algorithm for the procedure for optimizing the structure of revenues and expenditures of the budget of the Russian Federation.

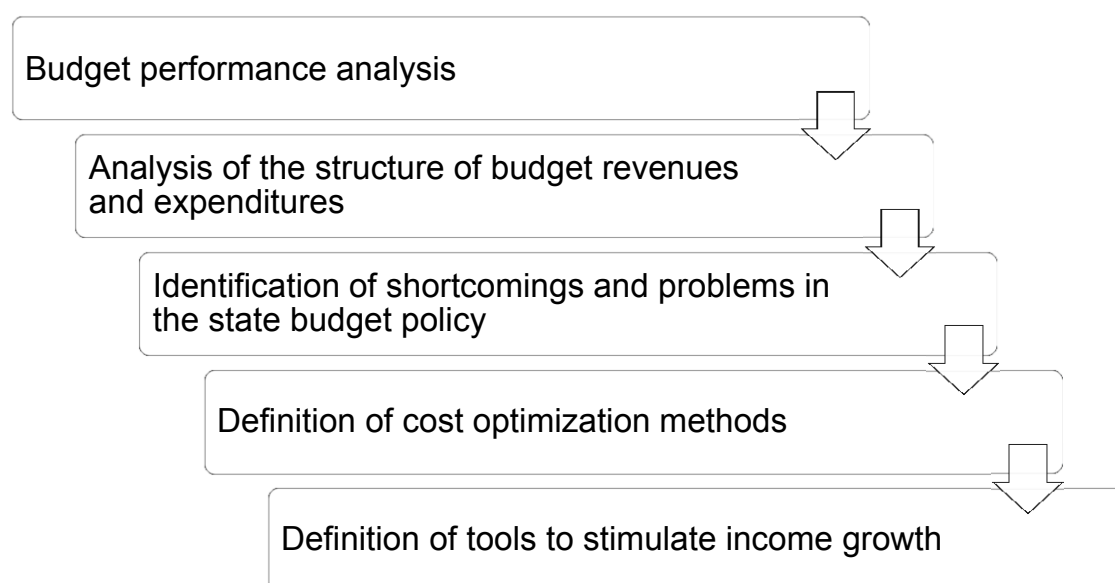


Fig. 3. Algorithm for optimizing the structure of revenues and expenditures of the state budget of the Russian Federation

Source: compiled by the author.

Based on Fig. 3 algorithm for optimizing the structure of revenues and expenditures of the state budget consists of 5 main stages. Such an algorithm makes it possible to form a mechanism for certain purposeful actions of the authorities to optimize the structure of budget revenues and expenditures in order to comply with the principle of balance and efficiency in the use of state budget funds.

TRENDS AND FACTORS IN THE DEVELOPMENT OF THE BANKING SYSTEM IN MODERN RUSSIA

Today, the banking system is a system-forming element in the development of the market economy of the Russian Federation. The key task of credit institutions is the accumulation and distribution of funds between various forms of economic entities, each of which consumes or produces [10].

Analyzing the current state of the Russian banking sector, it is necessary to refer to Fig. 4, which shows the dynamics of changes in the size of domestic banks' assets.

In the period from 2014 to 2021, the total assets of the Russian banking system changed from 57.4 to 112.5 trillion rubles — almost doubled, despite the negative impact of the sanctions against Russia and the COVID-19

pandemic. Thus, the development of the Russian banking system is characterized by the positive results of its activities. Credit institutions have a sufficient level of financial stability.

At the same time, there is a trend toward a reduction in the number of operating credit institutions, which may seem like a negative signal when assessing the stability of the Russian banking system (Fig. 5).

Back in 2014, there were 923 credit institutions operating in the Russian Federation, and as of January 2022, there were already 370, which is 2.5 times less. At the same time, the bulk of such credit institutions is commercial banks with a universal license (232) and with a basic license (103). Only 35 companies operate among non-bank credit institutions.

However, such a decrease in the number of operating credit institutions is explained by the strategy of the state and the leadership of the Central Bank of the Russian Federation, aimed at ensuring the economic security of the banking system, which has a positive effect on the national economic security of the state [11]. There is a revocation of licenses from commercial banks with a low level of capital provision and the quality of portfolio credit risk management.

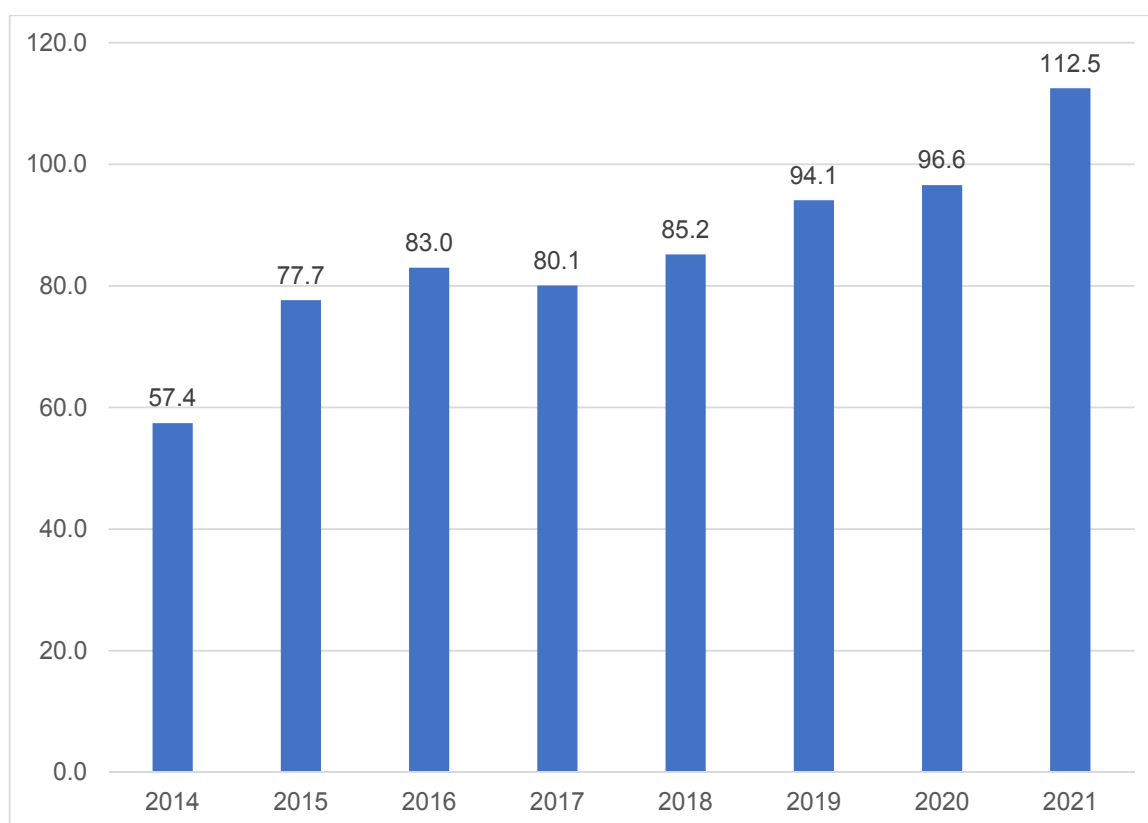


Fig. 4. Dynamics of the total assets of the Russian banking system in 2014–2021, trillion rubles

Source: compiled by the author based on data from the Central Bank of the Russian Federation. URL: https://www.cbr.ru/statistics/bank_sector/review/ (accessed on 30.04.2022).

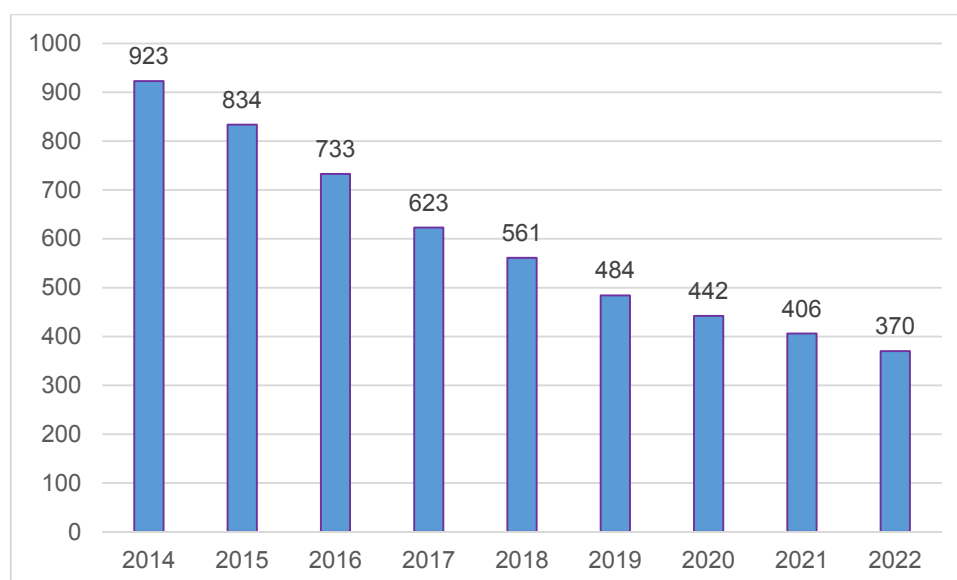


Fig. 5. Dynamics of operating credit institutions in Russia in 2014–2022

Source: compiled by the author based on data from the Central Bank of the Russian Federation. URL: https://www.cbr.ru/statistics/bank_sector/review/ (accessed on 30.04.2022).

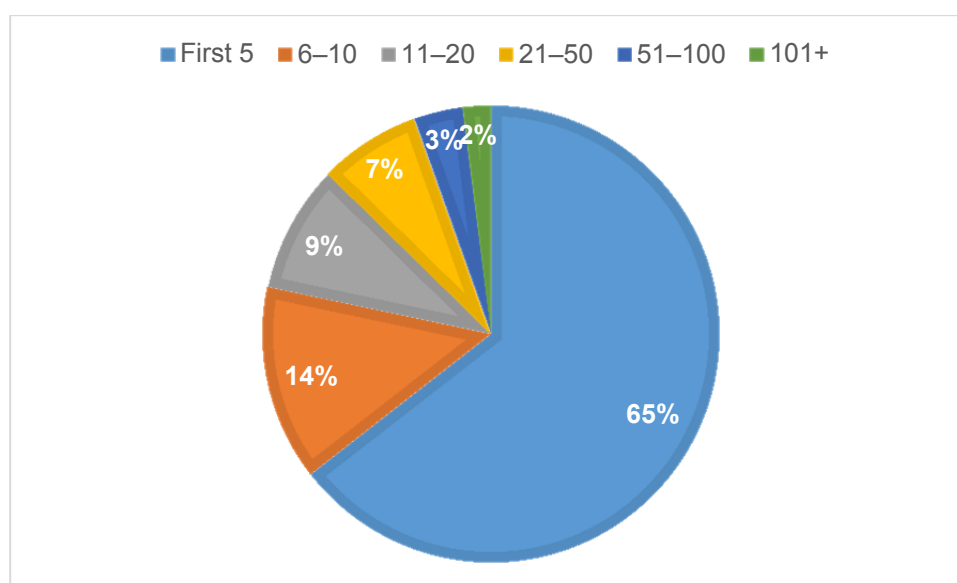


Fig. 6. Asset concentration in the Russian banking sector, February 2022

Source: compiled by the author based on data from the Central Bank of the Russian Federation. URL: https://www.cbr.ru/statistics/bank_sector/review/ (accessed on 30.04.2022).

Another indicator of the current state of the banking system of the Russian Federation is the concentration of assets in operating credit institutions, ranked by assets into different groups (Fig. 6).

Thus, 65% of the total assets of the banking system are concentrated in the five largest commercial banks in Russia which indicates a high level of consolidation in the banking sector. At the same time, many of the largest credit organizations are commercial banks with the participation of state capital. In particular, the market leader is Sberbank, which actually concentrates a third of the entire banking market of Russia [12].

This characteristic of the Russian banking system is rather negative than positive in our opinion. On the other hand, the largest Russian commercial banks, created with the participation of the state, have a high level of trust and assistance from regulatory bodies, which ensures their financial stability, and hence the prospects for the development of the financial system [13].

At present, it is necessary to pay attention to the fact that the unstable environmental situation associated with the economic sanctions against Russia and the COVID-19 pandemic persists, as a result of which various

threats and risks may arise that can negatively affect the stability of the banking system of modern Russia and lead to the following negative consequences such as:

- decrease in the volume of retail sales of banking products, including a decrease in the volume of consumer lending;
- increase in the risks of the banks' loan portfolio, including the growth of overdue consumer debt and the portfolio of problem loans.

TRENDS AND DEVELOPMENT FACTORS OF THE STOCK MARKET IN MODERN RUSSIA

The events of 2020 will be remembered for an unexpected shock, the Black Swan, which turned out to be the COVID-19 pandemic. Its impact through the fear factor and the adoption of quarantine measures and restrictions led to the fact that the economic growth of Russia and other countries became negative. Accordingly, the negative impact of the coronavirus pandemic was also expected on the dynamics of financial markets, where one of the main participants in trading is mutual funds, which are divided into three main types:

- open-end investment funds;

- closed-end investment funds;
- interval investment funds.

It is also necessary to highlight a list of the main problems that impede the development of investment funds in Russia, which is why the stock market faces a significant barrier to its formation.

1. The low level of information transparency of mutual investment funds about their profitability and risks in the implementation of their main commercial activities. The essence of this problem lies in the fact that sometimes there is no information on such indicators as on the official websites of mutual funds:

- profitability of a mutual fund for a certain period of time;
- risk indicators of the investment portfolio of a unit investment fund;
- the ratio of profitability and risk of the investment portfolio.

2. The absence of a mechanism that guarantees the protection of the financial capital of investors and depositors of mutual investment funds. The essence of this problem lies in the fact that investors who purchase mutual funds for the purpose of investing in mutual funds risk their own capital and property. However, there are no mechanisms that guarantee the protection of the financial capital of investors from such cases as:

- unprofessional competence of investment portfolio managers;
- dishonest activity of the management company;
- bankruptcy of the management company that managed this mutual investment fund.

3. The low level of development of exchange traded investment funds, which can become an alternative to open-end investment funds and, at least, take second place in NAV after open-end investment funds, exceeding the performance of closed-end and interval investment funds [14].

The essence of this problem lies in the fact that today in the domestic practice of Russia there are certain legislative restrictions that do not allow the operation of exchange traded funds (ETFs), the main advantage of which is

that their price is determined by the results of trading on the stock exchange in real time with a direct dependence of the share price on the dynamics of the index reproduced by it.

In order to solve these problems, which will stimulate the prospects for further development of the stock market through the mechanism for the development of mutual funds in the Russian Federation, the following solutions can be proposed.

To solve the first problem, it is necessary to pass a legislative decision obliging managers of mutual funds to publish certain information in the media accessible to all readers, users and investors.

To solve the second problem, it is necessary to create a special fund for guaranteeing investment capital, which Russian citizens invest in mutual funds. The mechanism for creating a guarantee fund can be approximately the same as the fund used in the Russian banking sector. Thus, management companies that create mutual funds will be required to set aside a certain percentage of assets on a quarterly basis to ensure reserves, the funds of which will be used to provide a guarantee mechanism.

To solve the third problem, it is necessary to make significant amendments to the legal framework of Russia. For example, legislation could be passed that would allow ETFs to become a separate investment vehicle, similar to alternative investment funds (AIFs).

TRENDS AND DEVELOPMENT FACTORS OF THE INSURANCE MARKET IN MODERN RUSSIA

The insurance market is an important structural element in the development of the national financial system of the Russian Federation since it ensures the continuous socio-economic growth of the state through the accumulation and consolidation of financial resources.

Every year, the insurance industry of the Russian economy demonstrates an increase in market capitalization, which is reflected in the data in Fig. 7. In recent years, despite the sanctions against Russia and the COVID-19

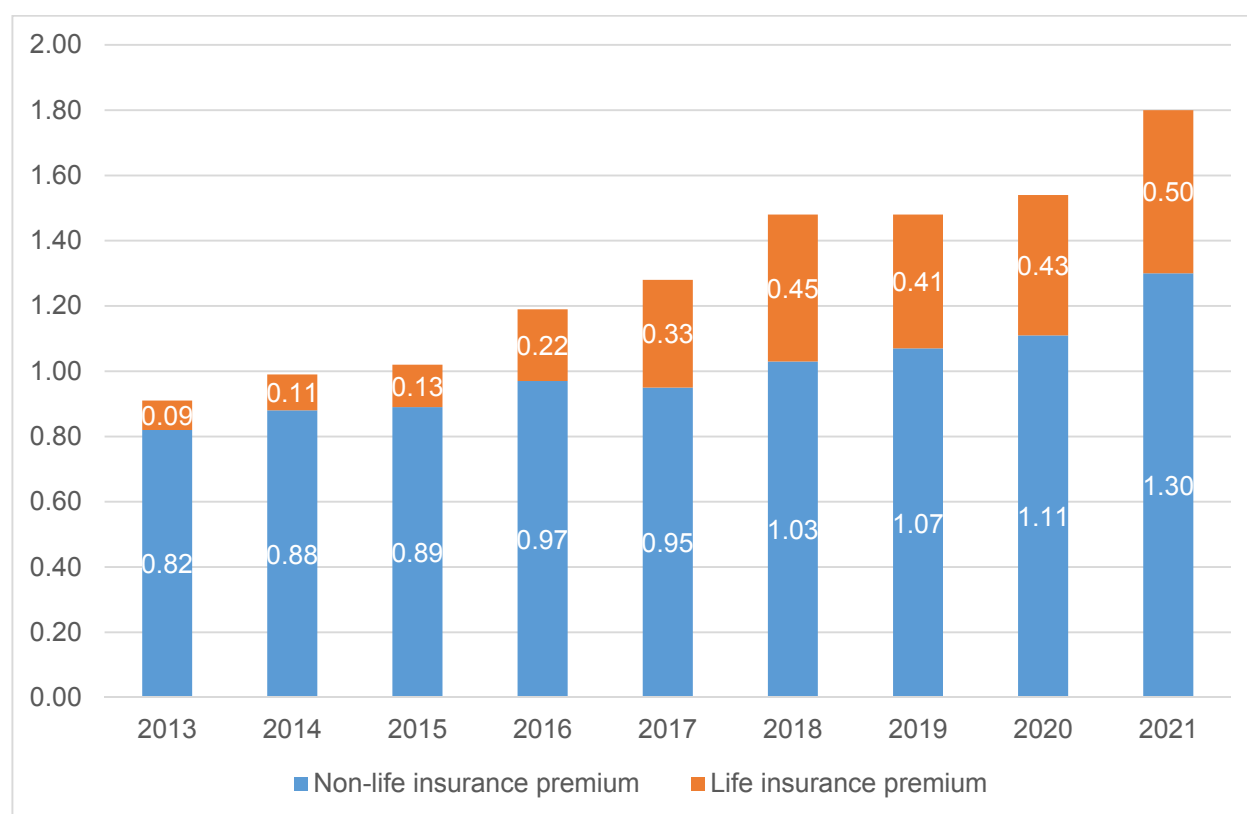


Fig. 7. Dynamics of the market capitalization of the insurance industry of the Russian Federation in 2013–2021, trillion rubles

Source: compiled by the author based on data from the Central Bank of the Russian Federation (accessed on 30.04.2022).

pandemic, this growth was 4.1% in 2020, and 17% in 2021.

Today, international financial risks are relevant for the insurance business in Russia, which include:

- instability of the volatility of the exchange rate of the Russian ruble against such foreign currencies as the US dollar, the Chinese yuan and the euro;
- instability of market volatility in the global stock market;
- instability of the market value of the main raw material assets, including oil and natural gas, as they affect the general background of the economic situation in the Russian state;
- volatility of vectors of monetary policy of central banks, especially the US (Fed), Eurozone (ECB) and China (People's Bank of China). This affects the change in trends in the market of interest rates and the cost of financial resources and funds, when attracting

external financing or when placing free capital in investment projects, assets and securities.

Analyzing the internal factors in the development of the Russian insurance system, it is important to note that one of the areas/products of insurance companies is compulsory OSAGO insurance, with the following urgent problems:

1. Reducing the size of the compensation fund, which is regarded by clients as a negative signal, meaning the possible absence of material and financial compensation after the occurrence of an insured event.

2. Strengthening the factor of judicial practice in the investigation of insured events under OSAGO, which, firstly, increases the terms of insurance payments; secondly, it complicates the mechanism of material and financial compensation.

3. The growth of fraud and economic crimes in OSAGO leads to an increase in both the volume of insurance payments for fabricated

insured events and the number of refusals of insurance companies from payments for proven insured events. Such a problem acts as an additional trigger for strengthening the factor of judicial practice in the framework of the investigation of OSAGO-insured events.

M. A. Meda, as part of the scientific research, highlights other topical problems of civil liability insurance using the example of OSAGO [15]:

1. Refusal of insurance companies from payments upon the occurrence of an insured event in connection with the refusal to provide movable property for examination.

2. Examination of insured events by specialists and professionals who do not have a state license or accreditation, which increases the number of refusals of insurers when making insurance payments.

When analyzing the development of the insurance market in Russia, it is necessary to highlight the following factors that may become drivers of its further growth:

- optimization of the pricing policy of insurance products and the inclusion of a consumer loyalty program;
- optimization of cross-selling;
- enhancing the product penetration strategy per customer;
- automation of business processes within insurance companies, which will allow them to reduce personnel costs, office rent, etc.

TRENDS AND FACTORS IN THE DEVELOPMENT OF MONETARY POLICY IN MODERN RUSSIA

The current stage of development of the Russian financial system is also characterized by the digital transformation of the Russian economy, which leads to the introduction of new tools and products of the financial system, including cryptocurrencies, electronic and digital currencies.

The main stage in the further development of the market of cryptocurrencies and digital currencies can be considered the creation of national cryptocurrencies, which include the digital ruble. The advantages of national cryptocurrencies are in recognition

by the state. This means that the national cryptocurrency will be absolutely legal tender and will offset the traditional fiat currency.

The digital ruble is money that the Bank of Russia plans to issue in digital form in addition to existing forms of money. The economically key innovation in the issuance of the digital ruble is not in a new monetary form, but in expanding the direct access of economic agents to the obligations of the Central Bank.

The digital ruble is money that the Bank of Russia plans to issue in digital form in addition to existing forms of money. The economically key innovation in the issuance of the digital ruble is not in a new monetary form, but in expanding the direct access of economic agents to the obligations of the Central Bank:

1. Increasing the level of distrust of money market participants in the central banking regulator, which will have more regulatory functions.

2. The creation of a digital ruble, its emission and financial control will require an increase in state budget expenditures by maintaining the regulatory functions of the Central Bank.

3. The creation of a digital ruble will lead to competitive pressure on innovative financial products, including banking innovation.

4. Due to the introduction of the digital ruble, an increase in the money supply in the country's economy is likely, which will allow borrowers to leave the bank lending market.

In our opinion, the introduction of the digital ruble by the Bank of Russia can be considered a significant factor that will affect the conditions of the state's fiscal policy. In particular, this is due to the fact that in connection with the introduction of the digital ruble, there will be fundamental changes in the calculation of the money supply in the country's economy.

In turn, the fiscal policy of any state is an important tool for implementing a unified state economic policy. The main goal is to ensure the stability of the economy in the country through the sustainable functioning of the national financial system.

Since the goal of the fiscal policy of the Bank of Russia is to regulate cash flows, then, accordingly, regulation of financial transactions, transfers and payment actions of market participants carried out using the digital ruble will be added to its duties.

One of the threats to the Russian financial system is that due to the emergence of the digital ruble and its active use by the population, part of the money can be transferred from bank accounts to electronic wallets. Accordingly, there will be a large outflow of financial resources from the country's banks, which will lead to a shortage of liquidity.

The Central Bank of the Russian Federation, as a banking regulator, will have to apply tools to ease its fiscal policy, which include:

- decreasing the level of the financial capital reserves by credit institutions;
- reducing the discount rate of refinancing;
- purchasing government securities in the financial markets by the banking regulator.

On the one hand, the Bank of Russia will be able to increase the level of liquidity of the banking sector's assets, which will protect it from the financial crisis. On the other hand, easing monetary policy could lead to such significant consequences for the Russian economy as:

- growing inflation;
- devaluation of the Russian ruble.

As a result, a spiral of financial crisis will occur, followed by a fall in GDP and a rise in unemployment.

In order for the Bank of Russia to secure the domestic national financial system from such consequences of the introduction of the digital ruble, it is possible to use the mechanism of restrictions on transactions with the digital ruble. From the point of view of those who are against such an event, an argument is made that due to such actions of the Central Bank, the development of infrastructure to support the digital currency system in Russia will be disrupted.

However, summing up the reasoning, it is important to draw the following conclusion: since the main goal of the regulatory activity

of the Central Bank of the Russian Federation is to ensure the sustainability and stability of the national economic and financial system, measures to introduce limits on transactions with the digital ruble are an appropriate solution. This will eliminate the threat of loss of liquidity in the banking sector, which could lead to serious consequences — a stagflation trend in the Russian economy.

Analyzing foreign experience, it is worth noting that China turned out to be the most successful in issuing a digital national currency. Initially, the creation of a digital currency in this country was associated with the need to avoid settlements in US dollars. For the People's Bank of China, a digital yuan is a tool to fight for leadership in the financial sector [16].

In our opinion, the digital ruble can also become a tool for protecting the national financial system in this difficult period of Russia's international relations under the economic sanctions imposed by Western countries. Thus, in order to prevent the financial crisis of the Russian state, it seems possible to create and freely circulate a digital ruble.

CONCLUSIONS

Summing up the results of the study, the following conclusions can be drawn:

1. Considering the trends and factors in the development of the financial system of the national economy of modern Russia, it is necessary to analyze information that reveals the state of the budgetary, banking system, stock market and insurance industry, and the monetary policy of the state.

2. The main reasons for the Russian state budget deficit in recent years are the negative impact of the COVID-19 pandemic and economic sanctions. To eliminate the problem of the budget deficit, it is necessary to apply a mechanism for improving the budget policy, including the method of optimizing the revenues and expenditures of the state budget.

3. The development of the banking system of modern Russia is characterized by the positive results of its activities. Thanks

to credit organizations and commercial banks, a financial infrastructure is being created in the country that provides the population with consumer loans to maintain the size of aggregate demand, and business structures with commercial loans that allow them to finance the production activities of organizations and increase their production. Accordingly, the banking system is a key element contributing to the development of the financial system of the modern Russian economy.

4. In Russia, there are a number of urgent problems in the development of investment funds, on the activities of which the stock market depends:

low level of information transparency of mutual investment funds about their profitability and risks in the course of their main commercial activities;

lack of a mechanism that guarantees the protection of the financial capital of investors and depositors of mutual investment funds;

low level of development of exchange-traded investment funds, which can become an alternative to open-end investment funds and, at least, take second place in NAV after open-end investment funds, exceeding the performance of closed-end investment funds and interval investment funds.

5. The insurance industry of the modern Russian economy has a steady growth in market capitalization. It faces such urgent problems as a decrease in the volume of the compensation fund, an increase in the factor of judicial practice in the investigation of insurance claims, and an increase in the

number of cases of fraud and economic crimes.

There are a number of factors stimulating the development of the insurance industry, including an increase in market demand for life insurance products among the population; the emergence of new health insurance products; technological development of the insurance services market; development of new sales channels; optimization of pricing policy for insurance products; enhancing the product penetration strategy per customer.

6. The digital transformation of the modern Russian economy leads to the introduction of new instruments and products of the financial system, including the digital ruble. It has both a positive and a negative impact on the trends and prospects for the development of the financial system of the Russian Federation. The introduction of the digital ruble will increase the money supply in the country's economy, there may be an outflow of financial resources from banks to electronic wallets, which will lead to a shortage of liquidity, etc.

The theoretical and practical significance of this paper lies in the study of factors affecting the efficiency of the functioning of the key elements of the national financial system of the modern Russian economy. The results obtained can be applied in the framework of further scientific research to develop recommendations for eliminating the main problems of the financial system. The practical value of the study lies in the proposal of specific measures aimed at improving the financial, budget and economic policy of the state authorities of Russia.

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